

High-Tax State Exodus

Growth-friendly states gain population, and it isn't just the weather.

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U.S. population growth fell to an 80-year low last year amid declining birth rates, a new Census report shows. But it's also telling that some states are booming while others are suffering a European-style sclerosis of population loss and slow economic growth.

One side effect of a strengthening national economy has been a widening disparity in state growth rates. The eight fastest-growing states by population last year were located in the West or South (Nevada, Idaho, Utah, Arizona, Florida, Washington, Colorado and Texas).

And what do you know? These states have also experienced rapid employment and GDP growth spurred by low tax rates and policies generally friendly to business and job creation. Nevada, Arizona, Texas, Washington, Utah, Florida and Colorado ranked among the eight states with the fastest job growth this past year, according to the Bureau of Labor Statistics. Nevada, Texas, Washington and Florida have no income tax.

Florida recorded the highest level of net domestic migration last year and has gained 1.2 million people from other states since 2010. Many Florida transplants are retirees and tax refugees from the Northeast, but businesses of all sorts are also recruiting young workers from other states to serve the state's booming population that has reached 21.3 million.

Then there's California. Despite its balmy weather and thriving tech industry, the Golden State last year lost more people to other states than it gained from foreign immigration. Since 2010, a net 710,000 people have left California for other states. One reason is high housing prices, fueled by onerous land and zoning regulations, which have driven out thousands of middle-income families.

Jobs and businesses have also fled the state's high taxes and regulation. A study this month by business relocation consultant Joe Vranich estimates that 1,800 businesses shifted jobs or capital out of California in 2016 and about 13,000 companies have left the state since 2008. Over the last decade \$76.7 billion in capital and 275,000 jobs have moved out of the state.

While California's population continues to grow because of its relatively high birth rate and foreign immigration, other states that are hostile to business have been less blessed. Nine states lost population last year including Alaska, Connecticut, Louisiana, Hawaii, Illinois, Mississippi, New York, West Virginia and Wyoming. Alaska, Louisiana, West Virginia and Wyoming are heavily dependent on the

vagaries of energy prices, but the economic malaise in Connecticut, Illinois, Hawaii and New York is self-inflicted.

New York Gov. Andrew Cuomo recently blamed cold weather for the state's population exodus, but last year frigid New Hampshire with no income tax attracted 3,900 newcomers from other states. Last year's federal tax reform limited the deductibility of state-and-local taxes and may be driving more affluent households out of high-tax states, though it's too early to have hard data. Immigration flows into New York City mask the economic debacle of upstate despite Mr. Cuomo's corporate-welfare programs.

Illinois's population has declined by 157,000 over the past five years, which is equivalent to the mid-sized city of Rockford. According to research outfit Wirepoints, more than 114,000 residents left the state on net in 2018 and nearly 1.5 million people since 2000. Cold weather? While Illinois's population has declined by 0.8% since 2010, Indiana's has grown 3.1% and Wisconsin's by 2.2%.

These population shifts mean that several states including New York, Illinois and Minnesota are likely to lose House seats after the 2020 reapportionment. States that have been rapidly adding population like Arizona, Florida and Texas are likely to increase their representation. It'd be nice to think this would finally prompt Democratic politicians to rethink their anti-growth policies. But with state political cultures dominated by public unions and welfare spending, they probably require a much deeper crisis to face reality.

America as a whole can thank the Founders for creating a federalist system that allows the economic and political safety valve of interstate policy competition.

Correction: An earlier version misspelled Rockford, Ill.